

term investment in the quality of their communities. For this reason, two decades ago, Mr. Geier set out to educate Broward residents of the importance of the "Homestead Exemption" rules which use the Florida tax code to encourage homeownership and community enhancement. Mr. Geier's efforts brought the benefits of the rules to thousands of homeowners and helped build the strong and lasting communities which exist in Broward County today.

Mr. Geier's experience as a young man convinced him that a good education is the key to a productive job and success in life. Motivated by this conviction, Mr. Geier has consistently supported the Broward Schools in their efforts to provide young residents with quality education and opportunities for success. Throughout his thirty years in South Florida, Mr. Geier has actively campaigned in support of school bond referendums as well as funding early-on for computers in classrooms. More recently, Mr. Geier initiated the Area Agency for the Aging's Seniors for Seniors Dollar Drive. This fundraiser provides thousands in funding for the Area Agency's senior citizen support programs and community events. In these and several other civic initiatives, Mr. Geier has demonstrated his devotion and care to improving the quality of life for all Broward residents. His efforts span over four decades and his tremendous impact spans across the lives of his entire community. Mr. Speaker, let me conclude by saying, "Thank you and happy birthday to Nat Geier," one of Broward County's most remarkable residents.

#### SOUND ECONOMIC POLICY

**HON. MICHAEL G. OXLEY**

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, March 21, 2001*

Mr. OXLEY. Mr. Speaker, I commend to my colleagues' attention the following article, "Can the U.S. Live With a Sounder, Saner Stock Market?" The author correctly points out that despite all of the recent attention on interest rates, the condition of our capital markets and the health of the U.S. economy are strongly influenced by the decisions that are made on trade policy, regulatory relief, and tax cuts. If we get those growth policies right, we will do a great service for the increasing number of Americans who are investing to improve their everyday lives and saving for their retirement.

[From the Wall Street Journal, Mar. 20, 2001]

CAN THE U.S. LIVE WITH A SOUNDER, SANER STOCK MARKET?

(By George Melloan)

Alan Greenspan has demonstrated that he can curb "irrational exuberance" in the stock markets, or so the conventional wisdom goes. Today, he presumably will try to perform a more difficult feat, arresting the

world-wide decline in equities that he has been widely accused of—or credited with—causing. The auguries for his success are not especially favorable. The markets weeks ago factored into prices the likelihood of a Federal Reserve rate target reduction, but that didn't prevent last week's steep slide.

The concept of Mr. Greenspan as a *deus ex machina* who intervenes occasionally to change the course of markets is overrated. His "irrational exuberance" speech in December 1996 rattled investors. But that may only have been because he was remarking on something that was obvious to almost everyone: Some stocks were selling at prices far in excess of their underlying values.

It certainly didn't stop the bull run, which continued another three years until its peak early last year. Probably, a series of rate-target increases in the late 1990s by the Fed acted as something of a brake on stock markets and an American economy heavily fueled by credit. But the overriding factor was that stock averages last year had reached a never-never land that even the most optimistic logic could not justify. Consumers, responding to the "wealth effect" of their paper riches, piled up debt. When stocks sank last year, household net worth declined for the first time since records have been kept. Quite likely, household balance sheets have deteriorated further this year.

Up until last week it appeared that the Dow had stabilized at around the 10500 level, despite a slowdown in economic growth and a series of warnings of lower-than-expected earnings from major corporations. But the Nasdaq, which had reflected some of the greatest price excesses, continued its downward spiral and the Dow ultimately followed, dropping below 10000. The evaporation of liquidity caused by falling prices in one or two markets ultimately affects all markets in this age of globalization, so Europe, Japan and Southeast Asia all took big losses as well. Europe, as measured by the FTSE index, was hardest hit, with a 9% decline, compared to 7.7% in the Dow.

Many investors in high-flying stocks are licking their wounds. Money runners on Wall Street have lost some of the brash self-confidence of a year ago. Brokers who for years have been assuring customers that no investment can beat equities over time have a bit less confidence in that assertion. There is a realization dawning that maybe stock values do have some link to earnings and that a stock price that might take the company 40 years to earn could be a tad high.

This new sobriety is a healthy thing. The economists who have been arguing that the U.S. was developing an asset bubble, like Japan in the 1980s, have been appeased. Their concept that there is such a thing as asset inflation, fueled by liberal credit policies, has been reinforced. Yet the oversold markets pretty much have taken care of themselves, without tempting interventions by politicians, who sometimes in the past (in the 1930s, for example) have jumped in to make things worse. Investors now know that stocks go down as well as up, a useful lesson.

The new sobriety befits equity markets that now have a different function from the one they had 10 or 15 years ago when they were mainly the province of the well-to-do. Today, some 60% of Americans have a bene-

ficial ownership in stocks. Mutual funds have replaced savings accounts as the preferred investment of small savers. Private pension funds holding the retirement money of millions of Americans are heavily invested in stocks. These new, steady, sources of funding give stock markets a greater stability than before. But they also mean that stocks play a greater role in household balance sheets, and hence in the holder's perception of whether he is getting richer or poorer.

It is for this reason that policy makers need to give attention to the macroeconomy that underlies corporate stocks. It suffered from great neglect during the latter stages of the Clinton administration, even as the signs of an economic slowdown mounted. The administration allowed the beginnings of a new round of trade opening negotiations in Seattle to be scuttled by organized labor, the Naderites and assorted zanies. Mr. Clinton made only a feeble and belated effort to get fast track legislation to speed new trade agreements. Thus years have been wasted in starting negotiations for new multilateral trade and investment pacts that invariably re-energize the global economy.

Regulatory burdens continued to pile up. The EPA was set on automatic to crank out new restrictions that impose costs and yield either no benefits, or negative consequences. The previous administration kow-towed to "environmentalist" claims of a coming "global warming" disaster, despite a large body of scientific proof that no such trend exists. More public lands, including sites rich in oil and gas, were locked up as "wilderness" areas.

The passage of federal tax cuts last year, when they would have come in time to stimulate a flagging economy, was blocked by President Clinton. Democrats this year are still resisting even the modest initial tax cut tranches proposed by George W. Bush, styling themselves as the new guardians of fiscal responsibility. In other words, the economy is not going to get any help soon from tax cuts. That vaunted federal surplus could vanish quite rapidly if the American economy goes into recession. The old saying, penny wise and pound foolish, applies here.

Despite all these forms of neglect, the U.S. still has a powerful economic base. U.S. demand kept Asia afloat after the 1997 meltdown. It has helped revive Mexico and has given Europe a market. The discovery by Americans of the marvelous communications potential of the Internet moved computers from the purely business realm into the home as a consumer product. Information technology is for real, even if it was oversold on stock markets during the dot-com rage.

Consumer confidence, as measured by a monthly University of Michigan survey, remains reasonably upbeat. Employment is high, despite prospects of some big corporate layoffs. All that has happened to the American economy so far has been a slowing of growth, not a recession. The Fed is trying to ensure adequate liquidity while at the same time tending to its fundamental job of trying to keep the dollar sound. And finally, stock markets are safer places for money than they were a year ago, which is no bad thing.